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# ASSESSING THE INSIGHT OF MUSLIM ACCOUNT HOLDERS' IN CONVENTIONAL BANK TO PURCHASE ISLAMIC BANK PRODUCTS

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## Abstract

This study investigates the insight of Muslim account holders' in conventional bank to purchase Islamic bank products. The concept Insight was defined in terms of Perception, Awareness and Understanding. Hence, the objectives of this study is to assess the effect of Perception, Awareness and Understanding of Muslim's account holder's in conventional bank to purchase Islamic bank products. Perception is operationally defined as the opinion, observation, assessment or experience while, Awareness is viewed as the consciousness, recognition or familiarity. Understanding is referred as the comprehension, grasp or appreciation of Muslim's account holder. A research framework model and hypotheses concerning the relationships among the variables – Perception, Awareness, and Understanding of Muslim's Account holder's in conventional bank to purchase Islamic bank products were posited and tested. Data was collected using hand delivery questionnaire survey approach. Using simple random sampling procedure, three hundred and eighty five (385) respondents both male and female were selected to participate in this study. Factor analysis, Pearson correlation, multiple regression methods of data analysis were utilized for hypotheses testing. The results of the correlation revealed that Perception, Awareness and Understanding are positively associated with Muslim account holders in conventional banks toward Islamic banking products. The multiple regression results indicate that Understanding and Awareness factors jointly explained 27.1% of the variance of Muslim account holder's in conventional bank toward patronising Islamic bank products. The outcome of this study provides vital information on the effect of Awareness and Understanding of Muslim account holder's in conventional bank to purchase Islamic banking products. The managerial implication of this study is for the Islamic banking industry to focus on the people's understanding of Shariah position on business transactions, concept of profit and loss sharing practice, benefit of Islamic banking products, good understanding of Islamic banking theory and practice that would have impact on customer decision.

**Keywords:** Insight; Perception; Awareness; Understanding; Islamic banking Products

## 1. Introduction

The market for Islamic banking has grown rapidly over the past few years, and it is expected to continue for the foreseeable future. Islamic banking has evolved from being a niche offering into being part of the mainstream financial services landscape. Incumbent banks and new market entrants operating in the turbulent business environment faces un-healthy competition hence, need to develop new products that are compliance with Shari'ah to compete or remain successful in the future business (Ayub, 2008; McGee, 2008). The role and functions of the banking system in a contemporary economy are of great significance to the development process and thus, it is often considered as the heart of every prosperous economy (Fakhrul-Ahsan, 1998; & Usman, 2003). In view of this, the emergence of Islamic banking in the Muslim world has remained the most inspiring and outstanding financial and economic phenomenon of the 20th century; Islamic financial activities are in line with the desires of Muslims to live all aspects of their lives in accordance with the teachings of the Qur'an and the Sunnah (Ahmed, 2009). The need for Muslim account holder's clear insight on Islamic products and services is the most fundamental base that will help Islamic financial institution to have the right marketing strategies that will capture the large share of financial market. Islamic financial institutions have to make sure that customer had clear insights about their operational principles for harmonious purchase of Islamic services (Heuvel, n.d).

In Nigeria, customers' positive perception towards Islamic banking is far more crucial, mainly because Islamic banks have to compete with the long-established conventional banks in a dual-banking system. The survey research on public perception, awareness and understanding of Islamic banking services is timely and very important. This is because customers nowadays are well informed, knowledgeable and insatiable demand for friendlier, innovative products and services (Zairi, 2011). There are few studies that evidenced on determining the understanding of the Muslims toward doing business with Islamic banks (Gait & Worthington, 2008). No study to the knowledge of the researcher, has clearly investigated the Muslim account holder's insight towards Islamic banking products in Nigerian. A more focused research on the potential customer's insight in relation to a decision to purchase Islamic bank products is scanty. There is a dearth of literature in the area of Islamic banking in Nigeria. Jaiz International bank was issued a regional banking licence by Central bank of Nigeria in 2011 to operate as full pledged Islamic bank in some states of Northern Nigeria, and Islamic window operation licence was also approved by Central bank of Nigeria for Stanbic IBTC bank Plc. (Ibrahim & Mustafa, 2011). The previously approved Islamic windows by Central bank of Nigeria in 1980s and 1990s to some conventional banks such as Habib Nigerian bank Plc. Bank of the North Ltd, African International bank, etc. ceased to operate because of various reasons such as lack of clear insight about the Islamic bank products and services (Ringim 2013).

The Nigerian prospective customers of Islamic banking product are bound to be sceptical about the operational services and products of Islamic bank. Some are likely to delay opening account with Islamic bank for them to observe and convince about its operational opportunities, challenges, and benefit (Malik, 2010). Therefore, this study seeks to fill the gaps and to serve as input for potential Islamic Bank (IB) promoter and policy makers on policy formulation, especially as it relates to the potential customer's insight about Islamic bank product and services. The Muslim account holder's clear insight about Islamic bank products and services is operationalized by the people's Perception, Awareness and Understanding of IBs products. Hence, the broad objective of this study is to test the selected factors (Perception, Awareness and Understanding) that motivate Nigerian Muslim's account holders in a conventional bank towards acceptance of Islamic bank products. The factors that encourage Muslim customers to patronize Islamic bank products includes: clear perception of Shari'ah principles, level of awareness and in-depth knowledge of Shari'ah and or understanding of Islamic bank Products and Services.

### *1.1 Scope of the study*

This study focused on Kano State, Nigerian Muslim's account holder's level of perception, awareness and understanding towards Islamic bank product and non interest window in Nigeria. Nigeria is the largest Islamic country in Africa, where Muslims represent over 55% of the country's population (Ahmed, 2009). The population of Muslims in Kano state was put at 10 Million (NPCN, 2006). Kano state is the leading commercial centre of the Northern Nigeria. It is also the centre of Hausa-Islamic culture and the entry point of the Islamic Republic of Sudan stretching from the Atlantic coast to the Red Sea (Ado-Kurawa, 2006). It has attracted many traders and artisans that generated many economic and religious activities in the non-Arab part of Africa. Thus, the sample of the study would be drawn from it. The independent variables are: 1) level of perception towards Islamic banking product and services; 2) awareness of Islamic banking product and services; 3) understanding of Islamic banking product and services; while the dependent variable is the customer decision to patronize Islamic banking product and services.

## **2. Literature Review**

Patronage studies on Islamic banking have so far largely focused on the combination of various religious, reputation, commercial, service satisfaction, staff, confidentiality and convenience factors. In one of the earliest banking selection criteria studies on Islamic banking, Erol and El-Bdour (1989) discovered that the most important criteria considered by the customers are fast and efficient services, bank's reputation, image and confidentiality. Interestingly, they also observe that religious motivation is not a primary criterion in the selection of Islamic banking services in Jordan. Their findings are disputed by later researchers like Metawa and Almossawi (1998) and Naser et al. (1999) who assert that adherence to Islamic tenets is the main motivating factor for customers to patronize Islamic banks in Bahrain and Jordan respectively. Nevertheless, other factors like bank's name and image, confidentiality, friends and family influences and provision of quality services are equally important for customers when making decision on their choice of the bank (Metawa & Almossawi, 1998; Naser et al., 1999).

These studies confirm earliest work, which found that both religious and economic factors are equally important for customers in patronizing Islamic banks (Haron et al., 1994; Gerrard & Cunningham, 1997; Ahmad & Haron, 2002). One of the similarities in these earliest studies is the fact that those investigations were conducted in multi-racial countries. For example, Gerrard and Cunningham (1997) surveyed Singaporean customers, whereas other researchers like Haron et al. (1994), and Ahmad and Haron (2002) conducted their research based upon a sample taken from Malaysian Islamic bank customers. Ahmad and Haron, (2002) for instance, reported that the majority of Islamic bank customers emphasized religious as well as other factors like cost/benefit, service delivery, reputation and location in patronizing Islamic banks. In summary, previous results suggest that Islamic banks must not rely solely on religious factors as a strategy to secure customers' allegiances, but they should also emphasize providing quality and efficient product and services. However, past studies on banking selection criteria exclude factors like social responsibility despite the claim that investors are now more attracted to socially responsible funds because they possess personal values that are consistent with the underlying philosophy of these ethical funds (Benson et al., 2006).

## 2.1 Customer Perception

Customers' perception is often identified by their level of satisfaction towards particular products or services. Other important indicators determining customers' positive or negative

Perception is on their patronage criteria towards the service provider. In one of the earliest patronage studies on Islamic banking, Erol and El-Bdour (1989) discovered that the most important criteria considered by the customers in bank selection are provisioned of fast and efficient services, bank's reputation and image, and confidentiality (Erol & El-Bdour 1989).

This finding is supported by Naser, Jamal & Al-Khatib (1999) who studied the Jordanian customers' satisfaction which mainly concerns with the bank's name, image, confidentiality policy and reputation. Provision of fast and efficient services are always regarded as high-quality services by bank customers who value time and expect the transaction to be completed as quickly as possible. Quality services are also portrayed by the personnel's friendliness, dress code, communication techniques and customer relations (Haron, Ahmad et al. 1994; Naser, Jamal & Al-Khatib, 1999). As such, Islamic banks need to invest in improving their service quality, image and reputation in order to gain maximum customers satisfaction and impressive perception towards their products and services. A study by Haron et al. (1994) reveals that only 40% of Muslim customers consider religion as an important factor in patronizing banks.

## 2.2 Customer Awareness

Customer awareness of an Islamic banking system among Singaporean communities (Muslims or non-Muslims) is generally lacking (Gerrard & Cunningham, 1997). These results suggest that Islamic banks do not need to rely on the religious factors as a strategy in attracting customers, but they should focus more on a provision of quality and efficient services. However, a study among bank customers in Bahrain points out that provision of Shari'ah-compliant products and services were highly regarded by a majority of customers while selecting Islamic banks. Other important factors are reward given by the banks, influence of family and friends, convenient location and customer's education and awareness (Metawa and Almossawi 1998). This study does not seem to uphold the findings by Haron et al. (1994) and Gerrard & Cunningham (1997). Nevertheless, Ahmad and Haron (2002) conclude that both religious and economics are significant patronage factors among the Malaysian corporate customers towards Islamic banking products. Majority of corporate customers somehow viewed that Islamic banks have not done enough in educating their customers and promoting products and services. This is evidenced by their findings that 65% of the customers have limited knowledge of Islamic banking products and services (Ahmad & Haron, 2002).

Previous studies have acknowledged the influence of Awareness of customers for Islamic banking products (Erol et al., 1990; Omer, 1992; Metawa & Almossawi, 1998; Bley & Kuehn, 2004; James, 2004; Okumus, 2005). The most similar findings of the past studies on customer's awareness were that, majority of Islamic banks customers responded to that religion was the primary motivation to patronize Islamic bank products. Hence, there is a need to focus on the provision of quality and efficient service. Other factors suggested are rewards given by Islamic bank, influence of family and friends, convenient location, customer education and awareness.

### 2.3 Customer Understanding

Customers' understanding of service quality is strongly dependent on customers' values and beliefs that vary from one culture to another (Furer et al., 2002). It is found that gender affects the service quality understanding of bank customers, and they show a varied response towards different dimensions of service quality (Spathis et al., 2007). Similarly, a varied pattern of customer satisfaction and behavioural outcomes is observed among male and female bank customers (Yavas et al., 1997). Based on existing literature this study examines the understanding of Islamic banking product and services by Muslim account holders in Nigeria.

In another study, service quality is considered a very important indicator towards customer understanding and satisfaction by delivering quality services according to customers' expectations (Spreng & Machoy, 1996). Gounaris et al. (2003) explored the service quality in Greek banking industry and found a varied influence of each dimension of service quality on customer satisfaction. It is reported that service quality is important for differentiation to compete on the market and retain the customers for long-term benefits (Curry & Penman, 2004). Service quality has positive influence to customer's and financial performance (Duncan & Elliott, 2004).

Customer understanding of banking product and services from five Balkan countries found a significant difference in the customers' understanding of service quality in different countries (Glavell et al., 2006). It is evident that political, technological, environmental and socioeconomic factors influence the service quality perceptions of customers. It is reported that Greece customers have higher levels of service quality perceptions as compared to Bulgarian customers (Spathis, et al., 2007). Similarly, it is found that dimensions of service quality have a strong positive impact on bank performance (Akroush, 2008). Amin (2008), Noman - Khan, Hassan and Shahid, (2007) investigated the bank selection criteria for Islamic product found that customer demography plays some role in determining which selection criteria matter more than others. It is reported that gender roles and responsibilities are shaped due to specific cultural, social and religious factors. Customers' understanding of service quality is strongly dependent on customers' values and beliefs that vary from one culture to another (Furer et al., 2002).

### 2.4 Conceptual Framework

The above discussions and reviews on previous studies on customer's perceptions and the relationships between variables form the basis for building the theoretical framework to examine the relationship between customer awareness, perception, understanding and their decision to patronize Islamic banks. The dependent variable for this study is patronage of Islamic bank. The independent variables of this study are customer awareness, perception and understanding. The conceptual framework to the study is shown in figure 1.0 and the relationships between variables (Dependent and independent variable). The proposed framework to the study shows the independent variables (in terms of customer awareness, perception and understanding) is related to purchasing of Islamic bank's product and services.

The research model was adapted from previous studies conducted by Ahmad and Haron (2002) that found Islamic banks had not done enough in marketing their product to corporate clientele's business and a deficiency of knowledge of Islamic banking products was found among the Islamic bank customers. This study made some modification on the previous research framework of Ahmad & Haron, (2002) by introducing Awareness and Understanding factors into the proposed model to determine the level of their

influence toward Islamic banking products. Research framework is the basic foundation upon which other research structures extend the frontier of knowledge (Sekaran, 2003). Therefore, the research model of this study is presented in Figure 1.0.

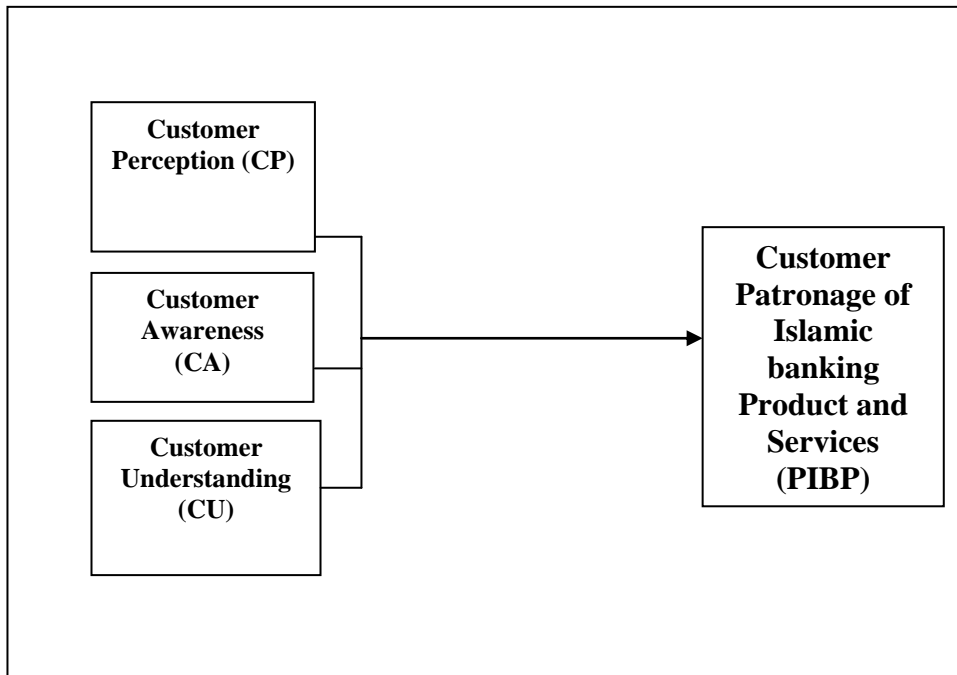


Figure 1.0: Research framework

### 3. METHODOLOGY

#### 3.1 Research Design

The research setting is cross-sectional study design. It involved gathering the data only once or at one point in time to meet the research objectives (Cavana, Dalahaye & Sekaran, 2001). The researcher can only control the measurement for the study but do not interfere with the research settings. The researcher only gathered the information about the respondents' perception, awareness, and understanding and examines their relationship in the decision to patronize Islamic banking product and services in Nigerian settings. Therefore, non- experimental design or survey using the quantitative method of administering the questionnaire was employed in this research.

#### 3.2 Sampling design, Techniques and Data collection strategy

The study unit of analysis was individual – male and female, workers in public and private organisation, Business men, Students and trader's Muslims in Kano metropolis. The population of the study was 10 million Muslim account holders in Kano Nigeria (NPCN, 2006).

The required sample size of 385 was computed according to the formulae provided by Smith and Gerald, (2010). Smith and Gerald, (2010) stated the equation for a very large population size:  $= (Z \text{ score})^2 \times \text{StdDev} \times (1 - \text{StdDev}) / (\text{margin of error})^2$  assuming the confident level of 95%; Standard deviation of 0.5; Margin of error  $\pm 5\%$  precision. Simple random sampling was used for this research in selecting samples from both male, female Muslim account holders in Conventional bank in Kano, Nigeria. In an attempt to get the completed questionnaire returned as quickly as possible, the data was collected through survey method using self-administered questionnaire approach. The survey method strategy was adopted because this study's objectives are descriptive and explanatory (Babbie, (1990).

### *3.3 Sampling Techniques*

Probability sampling technique was used in this research instead of non-probability sampling. The probability sampling gave each item in the population an equal chance of being selected as sample object (Sekaran, 2003). Furthermore, sample representative in the probability sampling design would have a guarantee of equal and independent representation of data being chosen. The advantage of this sampling method is that there is no bias of the researcher against the choice of another and being regarded for its high generalizability (Cavana et al. 2001).

Furthermore, the aim of this study is to have sample drawn from both male, female, Muslim account holders in Kano Nigeria. In this study, simple random sampling was used so that to guarantees equal and independent representation of data chosen. However, the disadvantage of this method is, it is time consuming, expansive and tedious (Cavana et al., 2001).

### *3.4 Data Collection Strategy*

In an attempt to get the completed questionnaire returned as quickly as possible, hand delivery and collection method was chosen; this gave high response rate. Hand delivery and collection are an efficient method in an environment where research culture is not sufficiently developed such as Nigeria. For instance, research has shown that, the rate of return of mailed questionnaires is between 3 percent and 4 percent (Asika, 1999).

The data was collected through survey method using self-administered questionnaire approach. Although self-administered or hand delivered method is expensive compared to mail survey, nevertheless, the researcher still favour this method due to its advantages. The biggest advantage is that the researcher can collect all completed responses within a short period of time. The second advantage is that researcher can explain on the spot the terms or part of the questions which the respondents could not understand. Thirdly, the researcher can motivate the respondents to take part in the survey and give their honest opinions (Sekaran, 2003).

### *3.5 Measurement Instruments and Operationalization of variables*

A Structured questionnaire consists of closed-ended questions administered in this study was adapted with some modification from previous studies (Noriza, 2009; Ahasanul-Hague, 2010). Hence, the questionnaire was validated by expert from academics and industry professional to ensure that the questions are clear and understandable. Also, to ensure that questions are adequate and can measure the concept that researcher set out to measure. A six-point type rating scale was used to ensure proper

adaptation of the questionnaire. The questionnaire designed for this study consists of three (3) main sections. Section A: Demographic questions about the personal background of the respondent Section B: are questions regarding the independent variables (Perception, Awareness, and Understanding). Section C of the questionnaire measures the dependent variable (Customer's decision to patronize Islamic banking product and services).

## 4. DATA ANALYSIS

### 4.1.1 Principal Component Analysis (PCA) of Dependent

Prior to performing PCA, the suitability of data for factor analysis was assessed. The factor loading of the items range from 0.784 to 0.842; Six items having low communalities had been deleted from the earlier construct (1,2,3,4,5, and 10) as those items were deleted because of various reasons such as low communality value, loading less than 0.50, and cross loading. Inspection of the correlation matrix revealed the presence of many coefficients of 0.3 and above. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy of 0.753 exceeding the bench mark value of 0.60 implies that the sample size is adequate for factor analysis to be conducted. That is, the ratio to the sample size as the number of items is sufficient for factorability. On other hands, the Bartlett's test of Sphericity is statistically significance, supporting the factorability of the correlation matrix, as the p-value is 0.000. This implies the adequacy of applying the factor analysis. Principal component analysis revealed the presence of three components with eigenvalue exceeding 1, explaining 37.30%, 15.60% and 12.90% of the variance respectively. The one-component solution explained a total of 65.88% of the variance.

### 4.1.2 Principal Component Analysis (PCA) of Independent variables

The independent variable of this study includes Perceptions, Awareness and Understanding of Islamic banking products and services by Muslim Account holders. The variables were measured by a total of 32 items. The analysis extracted eight dimensions. In the process of getting these eight dimensions, 12 items had to be removed due to various reasons such as low communality value, loading less than .50, and cross loading. Inspection of the correlation matrix revealed the presence of many coefficients of .30 and above. The Kaiser-Meyer-Okin value was .883, exceeding the recommended value of .6 (Kaiser, 1970, 1974) and the Bartlett's test of Sphericity (Bartlett, 1954) reached statistical significance, supporting the factorability of the correlation matrix. Principal Components analysis results revealed the presence of eight components with eigenvalue exceeding 1, explaining 33.45%; 6.79%; 5.96%; 5.16%; 4.33%; 4.01%; 3.79% and 3.62% of the variance respectively. An inspection of the scree, plot revealed a clear break after the eighth component. To aid for the interpretation of these eight components, Varimax rotation was performed. The rotated solution revealed the presence of simple structure (Thurstone, 1947), with both components showing a number of strong loadings and all variables loading substantially on components. The eight factor solution explained a total of 67.11% of the variance, with component 1 contributing 11.13%; component 2 contributing 10.78%; component 3 contributing 8.84%; component 4 contributing 8.83%; component 5 contributing 7.93%; component 6 contributing 7.14%; component 7 contributing 6.71% and component 8 contributing 5.76%. The interpretation of the eight components was consistent with previous research.



#### 4.2 Measuring the Reliability of the Research Instrument

The reliability test for each dimension emerged after factor analysis was conducted. Table 4.0 shows the results from the test. Cronbach's alpha coefficient is widely used as a measure of reliability. A value of .7 in the Cronbach's alpha is considered adequate to ensure reliability of the internal consistency of the questionnaire (Nunnally, 1978). As shown in table 4.0, all values exceeded the cut-off point. Therefore, the scales were satisfactory for subsequent analysis. Note that there were some items that had been deleted. The reason for deletion was that the instrument to the study would have achieved a higher reliability. From Table 4.0, the Cronbach's alpha of the variables (Perception, Awareness, Understanding and Decision to patronize Islamic banking products and services) in the questionnaire used in this study ranges from .70 to .82. This implies that the overall reliability measurement of each instrument is acceptable. Hence, the instruments have an acceptable reliability as far as internal consistency is concerned. That is, the instrument can give consistent results on the personal perception, awareness and understanding of Muslim account holder and their decision to patronize Islamic banking product and services in Nigeria.

Table 4.0: Summary of reliability Analysis of major variables

Variables	No. of items	No of items deleted	Cronbach's Alpha
<b>Dependent Variables</b>			
<b>Decision to patronize Islamic banking products and services</b>	<b>10</b>	<b>6</b>	<b>.80</b>
Perceived cheaper cost without hidden charges	4		.82
<b>Independent Variables:</b>			
<b>Personal Perception</b>	<b>10</b>	<b>5</b>	<b>.75</b>
Personal perception of similarity between Islamic banking product with conventional (PP)	3		.74
Personal perception of product development in Islamic banking (PP)	2		.77
<b>Personal Awareness</b>	<b>12</b>	<b>3</b>	<b>.82</b>
Perceived Awareness of Shariah compliance for Islamic banking product operation (PA)	6		.81
Perceived Awareness of transaction cost of doing business in Islamic banking products (PA)	3		.70
<b>Personal Understanding</b>	<b>10</b>	<b>3</b>	<b>.79</b>
Perceived Understanding of profit and loss sharing offered by Islamic banking system (PU)	4		.74
Perceived Benefit of Islamic banking products (PU)	3		.76

Developed for this research

#### 4.3 Descriptive Statistics of the variables

This section presents the descriptive statistics of the main variables for the study: Perception, Awareness, Understanding and decision to patronize Islamic banking products. The statistical information presented is the mean, standard deviation and minimum and maximum values. Table 4.1 shows the descriptive statistics for Personal perception of Islamic banking products. The means for personal

perception of Islamic banking product variables are relatively high between the range of 4.82 and 4.91. This indicates that overall, most of the respondent that participated in this study has good perception of Islamic banking product. Overall personal perception mean is 4.89 with a standard deviation of 1.0482.

**Table 4.1: Descriptive Statistics for Personal Perception of Islamic banking products**

Variables	Minimum	Maximum	Mean	Standard Deviation
Perception of similarity between Islamic banking product with conventional	1.00	6.00	4.91	1.007
Personal perception of product development in Islamic banking (PP)	1.50	6.00	4.82	1.1635
Overall Personal Perception	1.30	6.00	4.89	1.0482

Table 4.2 shows the descriptive statistics for personal awareness of Islamic banking products and services. The overall mean on the variable is 5.08 with a minimum score of 1.80 and maximum score of 6.00 and a standard deviation of .8979. The result indicated the level of awareness of the respondent about the Islamic banking products and services.

**Table 4.2: Descriptive Statistics for Personal Awareness for Islamic banking Products**

Variables	Minimum	Maximum	Mean	Standard Deviation
Perceived Awareness of Shariah compliance for Islamic banking product operation	1.67	6.00	5.14	.8687
Perceived Awareness of transaction cost of doing business in Islamic banking products	2.00	6.00	5.05	.9189
Overall Personal Awareness	1.80	6.00	5.08	.8979

Table 4.3 shows the descriptive statistics for personal understanding of Islamic banking products and services. The overall mean on the variable is 5.01 with a minimum score of 1.40 and maximum score of 6.00 and a standard deviation of .9136. The result indicated the level of understanding of the respondent about the Islamic banking products and services.

**Table 4.3: Descriptive Statistics for Personal Understanding of Islamic banking Products**

Variables	Minimum	Maximum	Mean	Standard Deviation
Perceived Understanding of profit and loss sharing offered by Islamic banking system	1.75	6.00	4.99	.9300
Perceived Benefit of Islamic banking products	1.00	6.00	5.06	.8575
Overall Personal Understanding	1.40	6.00	5.01	.9136

Table 4.4 present the descriptive statistics for decision to patronize Islamic bank. The overall mean on the variable is 5.12 with a minimum score of 2.00 maximum score of 6.00 and a standard deviation of .8945. The result indicated the respondents' level of decision to patronize the Islamic banking products and services

**Table 4.4: Descriptive Statistics for Decision to Patronize Islamic banking Products**

Variables	Minimum	Maximum	Mean	Standard Deviation
Decision to patronize Islamic banking products and services	1.75	6.00	5.15	.8847
Overall Decision to Patronize Islamic bank	1.75	6.00	5.15	.8945

#### 4.4 Pearson Correlation Analysis

Table 4.5 shows the result of correlation analysis between Personal perception, Awareness, Understanding and Decision to patronize Islamic bank. Overall, the result indicates that the relationship between all the variables: Personal Perception, Perceived Awareness, Perceived Understanding and decision to Patronize Islamic bank were statistically significant. The multivariate relationship between Perception, Awareness, Understanding and Decision to Patronize Islamic bank were identified to provide the answers to the research objectives of the study. A correlation analysis was performed to determine the direction and strength to the relationship between the independent and dependent variables. An overall result shows that all the variables between independent and dependent were significant at  $p < .01$ . The strongest positive correlation was the relationship between Understanding and decision to patronize Islamic banking products ( $r = .509$ ,  $p < .01$ ), on the other hand; the lowest correlation was the relationship between Perception and decision to patronize Islamic banking products ( $r = .216$ ,  $p < .01$ ). Our study indicates that the customer's awareness level towards Islamic banking products is good.

Table 4.5: *Inter-Correlations of major variables*

		Perception	Awareness	Understanding	Patronize IB
Perception	Pearson Correlation	1			
	Sig. (2-tailed)				
Awareness	Pearson Correlation	.407**	1		
	Sig. (2-tailed)	.000			
Understanding	Pearson Correlation	.351**	.546**	1	
	Sig. (2-tailed)	.000	.000		
Patronize IB	Pearson Correlation	.216**	.366**	.509**	1
	Sig. (2-tailed)	.000	.000	.000	.000

\*\* . Correlation is significant at the .01 level (2-tailed).

#### 4.5 Multiple Regressions

Generally, the regression result shows two predictor variables found to have statistically significant association with a decision to patronize Islamic banking products and services. The two variables were understandings (Beta=.439,  $p=.000$ ) and Awareness (Beta=0.122,  $p=.050$ ). Perceived awareness and perceived understanding explained 27.1% of the variance in decision to patronize Islamic banking products and services. The multiple regression R value dropped to only 0.05 (about 5%) in the adjusted R<sup>2</sup> that indicates the cross validity for the model was fine; the combination of independent variables predicts the dependent variable. The regression equation with the predictor's awareness and understanding were significant,  $R=.520$ ,  $R^2 = 0.271$ , adjusted  $R^2 = .263$ ,  $F(3, 285) = 34.873$ ,  $P<0.001$ . Multiple correlation coefficients between the predictors and the dependent variable were .520; all these predictors accounted for 27.1% of the variance in the decision to patronize Islamic banking products and services. The predictor understanding level (Beta=.439,  $t=7.123$ ,  $p=.000$ ) had the highest and significant standardized beta coefficient, which indicates that level of understanding was the most important variable in predicting the decision to patronize Islamic banking products and services. Other important predictors in descending order was awareness level (Beta=.122,  $t=1.925$ ,  $p=.05$ ). The significant results from the relationship of Perception, awareness, understanding and decision to patronize Islamic banking products in Kano state Nigeria is consistent and confirm with previous studies on customer patronage of Islamic banking products and services (Erol & El-Bdour, 1989; Metawa & Almossawi, 1998; Naser et al., 1999; Haron et al., 1994; Gerrard & Cunningham, 1997; Ahmad & Haron, 2002).

## 5. DISCUSSIONS

**HA<sub>1</sub>: There is significant relationship between Awareness and decision of Muslim's account holders to patronize an Islamic banking product.**

Pearson's correlation and multiple regression analysis outcome indicate that  $r=.366$ ,  $P=.000$ . Therefore, the research hypothesis (HA<sub>1</sub>) is accepted. The findings on the significant relationship between a level of awareness and decision to patronize Islamic banking products are in line with studies conducted by previous research. Findings on the positive significant relationship between personal awareness level and decision to patronize an Islamic bank product is in line with previous studies on consumer awareness that have been tested as one of the key variable in numerous studies, specifically in the area of on-line banking, Internet-banking and self-service's technology adoption (Sathye, 1999; Suganthi & Balachandran, 2001; Yusof, 1999; Gerard et al., 2003). However, Haron (1994), in his studies stated that about 100 per cent of the Muslim population and 75 percent of non-Muslims are aware about the existence of Islamic banking services in Malaysia and out of this only 63, percent understood the difference between Islamic banks and conventional banks. Whereas, some studies reported, Muslim respondents, although are aware of fundamental terms in Islam, but were almost exclusively unaware of the meaning of specific Islamic financial terms like Mudharabah, Musharakah and Ijarah (Gerard & Cunningham, 1997; Kamal et al., 1999). Also, contrast findings of study on Awareness of Islamic banking products revealed that there is a little awareness of Islamic banking products in Thailand (Lateh, Ismail & Arrifin, 2009). Furthermore, most of Islamic banking customer's awareness varied among the different age groups in Pakistan, and some people in Turkey are un-aware about Murabaha and Ijarah Islamic financial products (Khattak & Rehman, 2010; Okumu, 2005). Hence, age, awareness and usage of Islamic banking product are not statistically significant (Amin, 2007). Similarly, the awareness of

Islamic banking product by Muslim account holders in Australia is lacking, as a number of the respondent would not take up halal financing option (Rammal & Zurbruegg, 2006). In addition, there is lack of awareness for Islamic commercial banking among people in rural and urban areas (Thambiah, Eze, Santhapparaj & Arumugam, 2011).

**HA<sub>2</sub>: There is significant relationship between Understandings' and decision of Muslim's account holders to patronize an Islamic banking product.**

Pearson's correlation and multiple regression analysis show  $r=0.509$ ,  $P = 0.000$  significant at 0.01 level (2-tailed).  $Beta=.439$ ,  $P = .000$  @ .01 level. Therefore, the research hypothesis (HA<sub>2</sub>) is accepted. The findings on the significant relationship between a level of understandings and decision to patronize Islamic banking products is in line with studies conducted by previous research (Furer et al., 2002; Spathis, 2007; Yavas et al., 1997; Rogers, 2003; Yusof (1999) reported that customers' understanding of service quality is strongly dependent on customers' values and beliefs that vary from one culture to another. Similarly, a varied pattern of customer satisfaction and behavioural outcomes is observed among male and female bank customers. Regarding the reasons for selecting Islamic banking products, most of the respondents have adopted Islamic banking due to the religious reasons, but there are some other factors that motivate them such as bank efficiency in transaction, confidentiality, it's working hours, etc.,. The results suggested that Islamic banking industry had to consider provide in-depth knowledge of an Islamic banking system (Khattak & Rahman, 2010).

However, the understandings about the Islamic banking products are limited in Indonesia (Karim & Affif, nd). Hence, Rammal and Zurbruegg (2006) argued that a number of Indonesian customers of Islamic bank that invested in halal product were not aware of the concept of risk sharing. Also, Ahmad and Haron (2002) study on Malaysian corporate customer of Islamic banking product found that more than 65 per cent of the respondent showed that they had limited knowledge in an Islamic banking system.

**HA<sub>3</sub>: There is significant relationship between Perception and decision of Muslim's account holders to patronize an Islamic banking product.**

Pearson Correlation between Perception and decision to patronize Islamic banking products is significant, i.e.  $r=.216$ ,  $P=.000$  at .01 level (2-tailed). Therefore, the research hypothesis (H<sub>A</sub>) is accepted. However, multiple regression analysis between Perception and decision to patronize Islamic banking products is not significant, i.e.  $Beta=.012$ ,  $P = .828$  at .05 level. Therefore, the research hypothesis (H<sub>A</sub>) is not accepted. The non-significant results on the relationship between perception level and decision to patronize an Islamic bank product is consistent with various studies (e.g. Okumu 2005; Sarker, 1999; Hassan & Ahmed, 2001; Ahmed, 2000; Ahmad & Haron, 2002; Bley & Kuehn, 2004; Owen & Othman, 2001). These studies argued that behaviour of customers and their perception regarding existing services, policies and knowledge of Islamic banking were centered to service quality, innovation, risk, trust, etc. However, customers' perception of service quality in developing countries is significantly different from the perception of bank customers in developed countries like USA (Malhotra et al., 2005). A comparison between Islamic and conventional banks reflects that four dimensions: Personal skills, reliability, values, and image were significant in conventional banks. While two dimensions of service quality, that is, values and personal skills are significant in case of Islamic banks (Jabnoun and Khalifa, 2005). It is reported that

provision of better quality services could result into satisfied customers who understand the product (Glavell et al., 2006).

### *5.1 Managerial Implications*

First, the study provides much-needed information to the potential promoters and regulators of Islamic banking services in Nigeria regarding the perception, awareness and understanding of Nigerian Muslim's account holders on Islamic banking product and services and their decision to patronize the Islamic banking product. Thus, the present study will benefit those who want to establish Islamic bank or to open Islamic widow.

Second, the policy maker, religious organization, and academics can make use of the result for the study to create awareness and educate the general public on the prospect/opportunities of Islamic banking services in Nigeria.

Third, Promoters of Islamic bank should strive to be aware of the prospective customer's level of awareness, perception and understanding of the product. Special attention needed to be given to specific activity that will improve perceptions, awareness and understanding among the public that will associate with their decision to patronize Islamic bank.

Third, there is a need to focus on the people's understandings of Shariah position on business transaction, a concept of profit and loss sharing practice, a benefit of Islamic banking products, and investment based on Islamic financing structure as well as good understanding of Islamic banking theory and practice that would have an impact on customer decision.

Fourth, high level of awareness is associated with public knowledge/perception of Islamic banking financing and investment products such as Mudharabah, Musharakah, Murabahah and Ijarah (lease) products. Hence, forums and conferences are important avenues to create awareness, design product according to customer's preference, transparency practice in transaction with customers and full compliance of product with Shariah practice.

### *5.2. Theoretical Implications*

Firstly, this research would add value to an Islamic banking field on testing the possibility that Muslims account holder's perceptions, awareness and understanding are related to patronage of the Islamic banking services.

Secondly, this study examined individually, the specific linkages between a level of perception and Islamic banking product patronage; level of awareness and Muslims account for the holder's decision to patronize an Islamic banking product. Previous studies on the Islamic banking product and service's perception, awareness and understanding are general and broad in nature without examining the specific issues of relationship with Muslims account for the holder's decision to patronize Islamic banking products and services.

Thirdly, this study contributed to the existing body of knowledge by investigating the personal level of understanding, perception and awareness of Islamic banking product and services in a secular country like Nigeria that is outside the Middle East or Southeast Asia.

Fourthly, this study also combined various past measurement studies in measuring the variables of Perception, Awareness, Understanding and decision to patronize Islamic banking products. Thus, this measurement also, adds to the body of current knowledge within the context of future research on perception, Awareness, Understanding and decision to patronize Islamic bank products.

### *5.3 Limitation of the Study*

One of the limitations to this study was the use of cross-sectional design for survey research, which captures the perceptions of respondents at a point in time. Thus, the study cannot prove causal relationship on a longitudinal basis.

Second limitation to the study is the use of subjective self-reported perceptual measures in assessing the studies. The accuracy of self-perceptions might be strongly influenced by the respondent's experience.

Finally, the findings from this study cannot be generalized in a larger context across the cultures of other countries since the data collected during this study was limited to Kano state, Nigeria.

### *5.4 Suggestion for future Study*

The result from the study will be more meaningful if both quantitative and qualitative techniques are employed as both can complement each other. Moreover, future research should enlarge the scope in the study to other cultures, region and country to create more awareness about Islamic banking products and services.

## **6. Conclusion**

The results of the present study establish the major problem that requires urgent attention needed to strengthen public education and awareness towards the distinctive characteristics of Islamic banks and how it may profitably suit the interest of customers in their financial dealings. Islamic banks have the potential to exploit and market to various segments of customers extending beyond those who are concerned with the legitimacy of the facility from Islamic point of view and those who seek for service quality, convenience and efficient transactions. Consumer education programmes and consumer awareness are therefore, crucial to the unique characteristics of Islamic banking products and services. The overall findings from the study have proven that individual links between personal perception, awareness, understanding and Muslim decision to patronize Islamic banking products have been established for the study. These linkages provide new empirical contribution to academia, more research needs to be conducted to establish the link to the benefits to the industry and society as a whole. To the practitioner's in the search of patronage of Islamic banking products and services, patronage studies on Islamic banking have so far largely focused on the combination of various religious, reputation, commercial, service satisfaction, staff, confidentiality and convenience factors. Customer understanding of Islamic bank product is strongly dependent upon the value and belief that vary from one culture to another (Furer et al., 2002; Spathis, 2004; Yavas et al., 1997; Bley & Keuhn, 2004).

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